

LAZARD'S SHAREHOLDER ADVISORY GROUP

**Review of Shareholder Activism - H1 2019**

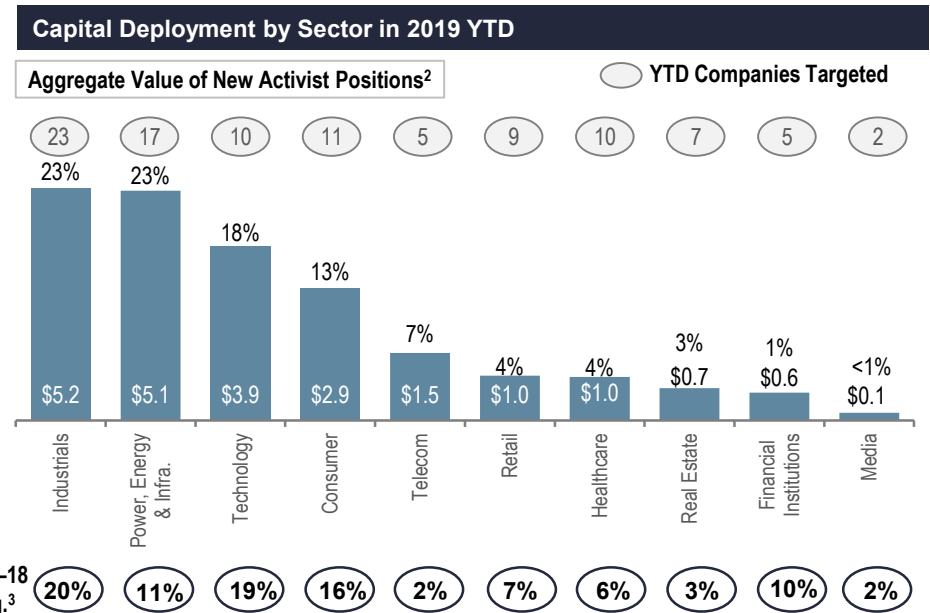
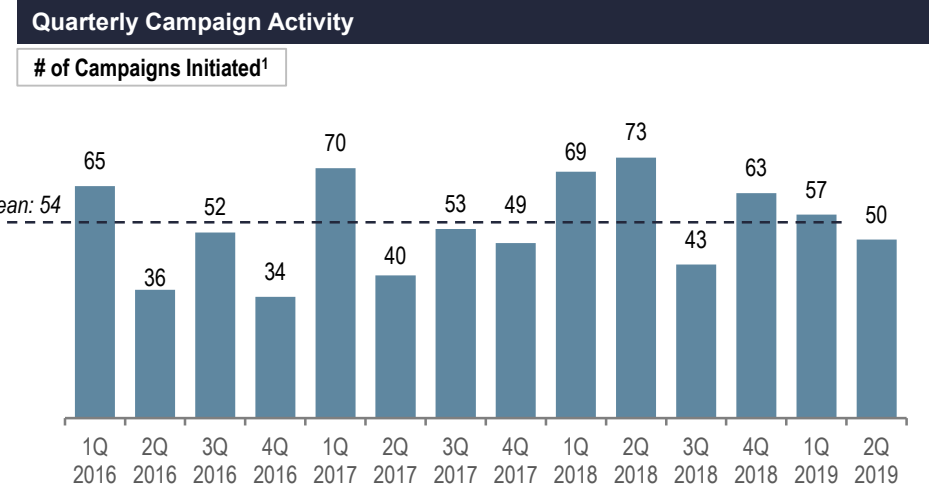
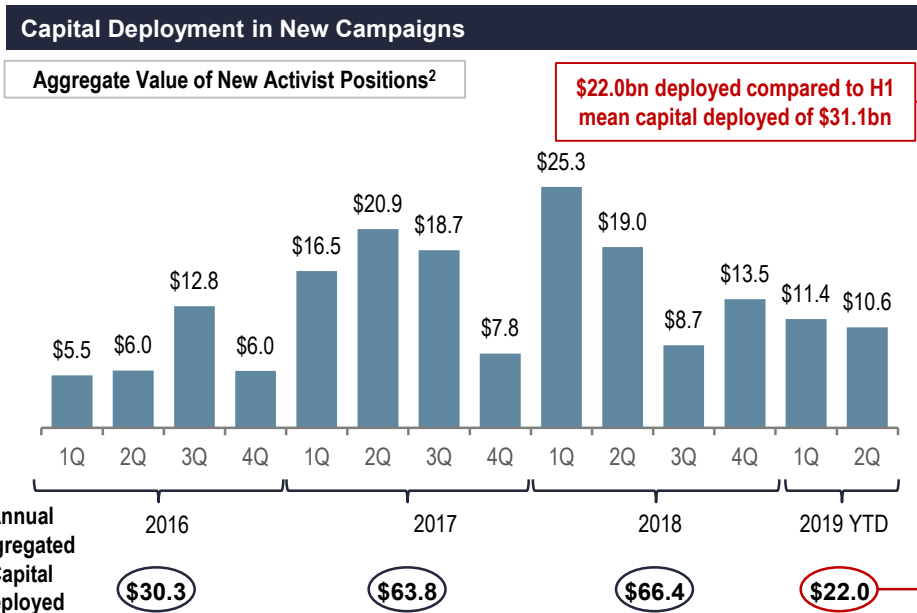
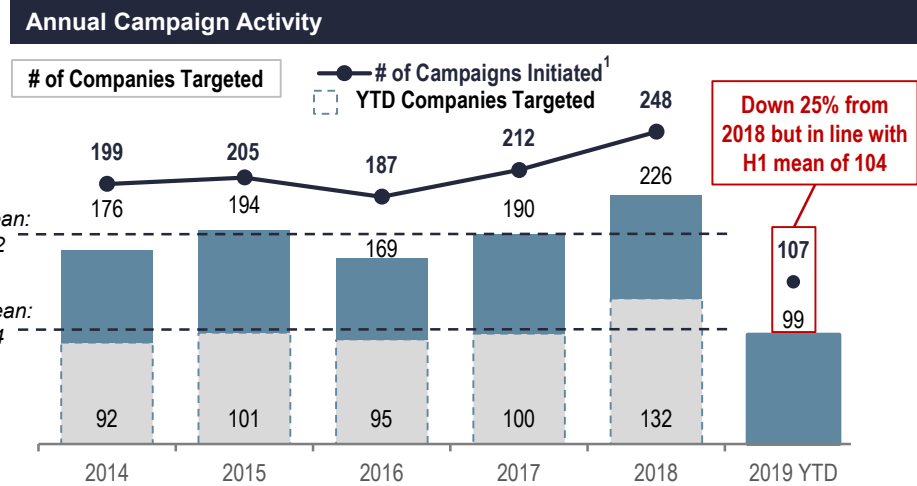
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## Key Observations on the Activist Environment in H1 2019

<p><b>1</b></p> <p><b>Campaign Activity in Line with Elevated Multi-Year Pace, but ~25% Fewer than Record 2018</b></p>	<ul style="list-style-type: none"> <li>• In H1 2019, 107 new campaigns targeted 99 companies, down ~25% relative to H1 2018 but in line with the elevated multi-year trend</li> <li>• Top 10 activists increased their cumulative capital deployed in public activist positions (new and existing)<sup>1</sup> from \$75.5bn at the end of Q1 2019 to \$82.2bn at the end of H1 2019</li> <li>• Starboard's 10 new campaigns, including three new campaigns in Q2 2019, made them the most prolific activist in H1 2019             <ul style="list-style-type: none"> <li>– Elliott remains the leading activist in terms of capital deployed, with \$3.4bn of new capital deployed in H1 2019 and a total of \$17.4bn deployed in new and existing activist positions</li> </ul> </li> </ul>
<p><b>2</b></p> <p><b>M&amp;A Thesis Arising in Nearly Half of All Campaigns</b></p>	<ul style="list-style-type: none"> <li>• 46% of all activist campaigns in H1 2019 had an M&amp;A thesis, as activists continue to see transactions as opportunities to generate alpha             <ul style="list-style-type: none"> <li>– Comparatively, from 2014-2018, M&amp;A-related objectives arose in only one-third of all campaigns</li> </ul> </li> <li>• Q2 2019 was characterized by activist opposition to large transactions (e.g., Occidental/Anadarko, United Technologies/Raytheon)</li> </ul>
<p><b>3</b></p> <p><b>Activists Driving Significant Board and Management Change</b></p>	<ul style="list-style-type: none"> <li>• Activists won 81 Board seats<sup>2</sup> in H1 2019, 91% of which came from settlements</li> <li>• Of the 19 campaigns that went to a final vote in H1 2019, 15 were against non-U.S. targets and activists prevailed in only three situations</li> <li>• The record 14 long slates nominated in H1 2019 yielded 28 seats out of the 99 seats initially contested, with two of the long slate campaigns still ongoing<sup>3</sup></li> <li>• 19% of CEOs of companies targeted by activists left their role within one year of campaign launch, as compared to a baseline turnover rate of 12% for companies not targeted by activism</li> </ul>
<p><b>4</b></p> <p><b>Activism Outside the U.S. Reaches Record Highs, with Japan Leading the Way</b></p>	<ul style="list-style-type: none"> <li>• New campaigns against non-U.S. targets accounted for 45% of global capital deployed in H1 2019, compared to 37% in H1 2018</li> <li>• In Europe (20% of H1 2019 global capital deployed), activists focused on smaller targets and M&amp;A theses for new targets</li> <li>• APAC activism accounted for 18% of H1 2019 global capital deployed, with Japan being the single busiest non-U.S. jurisdiction</li> </ul>
<p><b>5</b></p> <p><b>Active Manager "Toolkit" for Dissent Expands Further</b></p>	<ul style="list-style-type: none"> <li>• Traditional active managers are no longer waiting until a shareholder vote to make themselves heard on important corporate matters             <ul style="list-style-type: none"> <li>– In contested situations (e.g., EQT, Bristol-Myers Squibb) they are publicly voicing their opinions on corporate strategy and M&amp;A</li> <li>– In the absence of an activist campaign, active managers are choosing to act as the activist, even nominating Board slates (e.g., Neuberger Berman at Verint, M&amp;G at Methanex)</li> </ul> </li> </ul>
<p><b>6</b></p> <p><b>Top Passive Managers Drive Culture, Purpose and ESG Issues</b></p>	<ul style="list-style-type: none"> <li>• In H1 2019, numerous companies faced contested shareholder votes on issues surrounding ESG and executive compensation</li> <li>• With increasing shareholder concentration, passive manager statements and policy updates continue to be closely monitored             <ul style="list-style-type: none"> <li>– State Street's updated climate change disclosure policy and Vanguard's change in fund voting were among the most notable policy updates in the first half</li> </ul> </li> </ul>

# 1 Campaign Activity and Capital Deployment

(\$ in billions)



Source: FactSet, press reports and public filings as of 6/30/2019.

Note: All data is for campaigns conducted globally by activists at companies with market capitalizations greater than \$500 million at time of campaign announcement.


























1 Companies spun off as part of campaign process counted separately.

2 Calculated as of campaign announcement date. Does not include derivative positions.

3 4-year average based on aggregate value of activist positions at campaign initiation.































# 1 Notable Q2 2019 Public Campaign Launches and Developments—United States

(\$ in billions)

Launch Date	Company / Market Cap	Activist	Highlights	Launch Date	Company / Market Cap	Activist	Highlights
5/19	 \$8.6		<ul style="list-style-type: none"> <li>Mantle Ridge reportedly considered forming a consortium to make a takeover bid for Aramark or otherwise push the Company to explore a sale</li> </ul>	3/19	 \$3.4		<ul style="list-style-type: none"> <li>After Eagle Materials refused Sachem Head's request for a Board seat, Sachem Head nominated two Directors to the Board</li> <li>Sachem Head withdrew its slate after Eagle Materials announced that it would separate its heavy and light materials businesses</li> </ul>
5/19	 \$3.1		<ul style="list-style-type: none"> <li>Without prior public agitation, Legg Mason announced an agreement whereby it added Trian's Nelson Peltz and Ed Garden to its Board, along with a third independent Director; it was Trian's second campaign at the Company, following one launched in 2009</li> <li>Legg Mason later announced plans to cut its staff by 12%</li> </ul>	3/19	 \$2.2	 	<ul style="list-style-type: none"> <li>Facing a long slate from the activist group, the Company appointed nine new independent Directors and launched a new CEO search</li> <li>The two parties later settled, leading to the appointment of an additional four new independent Directors</li> </ul>
5/19	 \$44.0		<ul style="list-style-type: none"> <li>Icahn called the Company's proposed acquisition of Anadarko "hugely overpriced" and demanded a shareholder vote on the deal</li> <li>Icahn announced a proxy fight to replace four Occidental Directors via EGM</li> </ul>	1/19 <sup>1</sup>	 \$7.2	    	<ul style="list-style-type: none"> <li>PG&amp;E announced 10 new Directors and a new CEO following consultations with shareholders</li> <li>PG&amp;E and BlueMountain later entered into a settlement in which they agreed to appoint an additional two new independent Directors</li> </ul>
4/19	 \$4.0		<ul style="list-style-type: none"> <li>Neuberger Berman nominated three Directors, urging Verint to pursue a cloud business model and enhance its financial reporting and capital allocation practices</li> <li>The activist withdrew its slate after Verint agreed to enhance its financial reporting and capital allocation practices and consult Neuberger on Board refreshment</li> </ul>	12/18	 \$5.0	The Rice Group	<ul style="list-style-type: none"> <li>The Rice brothers nominated themselves and five others to EQT's Board, criticizing EQT's performance since acquiring their Company, Rice Energy</li> <li>The Rice Group received support from ISS and top shareholder T. Rowe Price, while Glass Lewis backed management</li> <li><i>Post 6/30 update: All seven Rice nominees elected</i></li> </ul>
4/19	 \$20.4		<ul style="list-style-type: none"> <li>Without any public activist campaign, Cerner announced a settlement with Starboard whereby it appointed four new independent Directors</li> <li>Cerner also committed to disclosing buyback and margin targets, and establishing a committee to oversee these initiatives</li> </ul>	3/18	 \$97.9	 	<ul style="list-style-type: none"> <li>Following the Company's announcement of a merger with Raytheon after its planned spin-off of its Carrier and Otis businesses, Pershing Square sent an email criticizing the merger</li> <li>Third Point also published a letter criticizing the deal and said it would vote against approval</li> </ul>

# 1 Notable Q2 2019 Public Campaign Launches and Developments—Rest of World















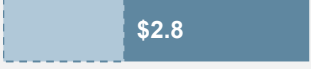












(\$ in billions)

Launch Date	Company / Market Cap	Activist	Highlights	Launch Date	Company / Market Cap	Activist	Highlights
6/19	 \$13.0 		<ul style="list-style-type: none"> <li>• Triam disclosed a 6% stake in Ferguson and stated that it would engage management on various initiatives to create value</li> <li>• The investment was made using Triam Investors I, a London-listed special purpose vehicle</li> </ul>	3/19	 \$5.3 		<ul style="list-style-type: none"> <li>• Fir Tree introduced several proposals at Kyushu Railway, including three new Directors, a share buyback plan and compensation changes</li> <li>• Fir Tree's proposals were defeated at the Company's AGM</li> </ul>
6/19	 \$18.8 		<ul style="list-style-type: none"> <li>• CIAM sent a letter to Renault's Board, saying that it opposed a proposed merger with Fiat Chrysler, asserting the deal undervalued Renault and was unfair to shareholders</li> <li>• Fiat Chrysler later withdrew the merger offer, citing resistance from the French government</li> </ul>	3/19	 \$1.9 		<ul style="list-style-type: none"> <li>• Mangrove sued TransAlta in an attempt to block a C\$750mm investment from Brookfield Renewable Partners and launched a withhold campaign against the Directors who evaluated the deal</li> <li>• ISS and Glass Lewis recommended for the entire Board, and all Directors were re-elected</li> </ul>
4/19	 \$157.7 		<ul style="list-style-type: none"> <li>• Elliott disclosed a stake in SAP, saying it was supportive of a recently announced comprehensive review and new financial targets</li> <li>• SAP applauded Elliott's investment and announced that it was considering share buybacks</li> </ul>	12/18	 \$59.4 		<ul style="list-style-type: none"> <li>• Elliott confirmed its investment in Bayer and endorsed a Company announcement that it was exploring alternatives to settle ongoing litigation related to its pesticides</li> </ul>
4/19	 \$54.8 		<ul style="list-style-type: none"> <li>• Third Point announced a \$1.5bn stake in Sony and released a white paper calling on the Company to divest several stakes and businesses and focus on its entertainment business</li> </ul>	3/18	 \$49.8 		<ul style="list-style-type: none"> <li>• Sherborne withdrew CEO Edward Bramson's nomination for Barclays' Board shortly before the Company's AGM, after receiving 13% shareholder support</li> <li>• Bramson said that he would continue to push for change at Barclays</li> </ul>
4/19	 \$53.1 		<ul style="list-style-type: none"> <li>• A group of seven investors (including Fidelity International and Baillie Gifford) nominated two Directors to the Company's Board in the midst of a CEO succession dispute</li> <li>• The two dissident nominees were not elected at the Company's AGM</li> </ul>	2/18	 \$4.9 		<ul style="list-style-type: none"> <li>• ValueAct sent a public letter to Merlin's Board, saying the Company should go private to facilitate long term investments in its business</li> <li>• In June, Merlin's Board recommended in favor of a takeover offer from a consortium including Blackstone and the owners of LEGO</li> </ul>

# 1 Top 10 Activists by Market Value of Current Activist Positions

(\$ in billions)

Despite a slower start to the year, Elliott remains the leader in capital deployed in new campaigns, while Starboard was the most prolific by number of new campaigns launched

Activist	Market Value of Current Activist Positions <sup>1</sup>	New Campaigns 2019 YTD <sup>2</sup>	2019 Target Countries <sup>3</sup>	Selected Recent Targets
Elliott	 \$3.4 \$17.4	6		
ValueAct	 \$11.7	--	--	
Third Point	 \$1.5 \$10.0	2		
Cevian	 \$0.8 \$10.0	1		
Trian	 \$1.0 \$9.8	2		
Icahn	 \$2.8 \$7.2	2		
TCI	 \$5.1	--	--	
Pershing Square	 \$4.7	--	--	
Starboard	 \$1.2 \$4.1	10		
Mantle Ridge	 \$2.8 <sup>4</sup>	1		

 2019 Activist Positions  Market Value of Activist Positions Launched in 2013-2018

Source: FactSet, press reports and public filings as of 6/30/2019.

Note: All data is for campaigns conducted globally at companies with market capitalizations greater than \$500 million at time of campaign announcement.

1 Based on the market value of activist positions initiated since 2013 in which the activist still holds a stake. Includes publicly disclosed common stock positions only.

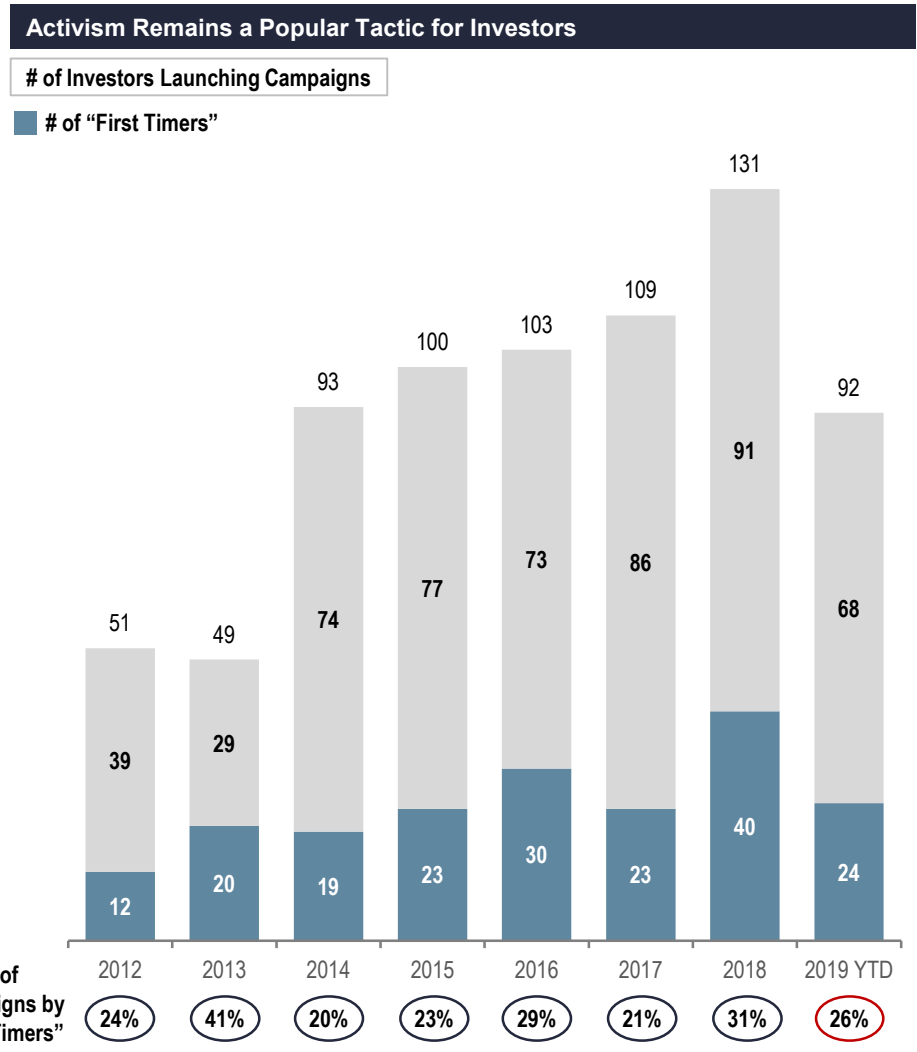
2 Number of new campaigns launched, includes positions both open and closed.

3 Based on country of company's headquarters.

4 Capital deployed does not include any Aramark stake, which has not been publicly disclosed.

# 1 Activism's Broadening Usage and Definition

Amid sustained "first timer" activity, activist investing has grown to encompass numerous types of market actors, either using activist tactics themselves or as a crucial party to activist objectives



**Traditional Active Managers**

**Activist Investors**

**Private Equity Funds**

**Activist Ecosystem in 2019**

**"First Timers"**



## 2 The Activist Role in M&A in H1 2019

### Sell the Company

Agitate for sale of target or encourage industry consolidation









32%

Target / Activist	M&A Thesis
 	Mantle Ridge was reportedly evaluating forming a consortium to make a takeover bid for Aramark or to push the Company into a sale
 	Eldorado Resorts reached an agreement to acquire Caesars for \$8.6bn following pressure to do so from Icahn
  	Following calls from Sachem Head and Starboard to sell itself, Zayo announced that it had agreed to be acquired by Digital Colony Partners and EQT Infrastructure
 	ValueAct issued a letter to Merlin's Board, saying the Company should go private to facilitate long-term investments; the Board later recommended in favor of a take-private offer

### Break-Up / Divestiture

Agitation for a divestiture of a non-core business line or company breakup












33%

Target / Activist	M&A Thesis
 	Following pressure from Sachem Head and the nomination of two Directors, Eagle Materials announced plans to spin off its heavy and light materials businesses
 	Third Point urged Sony to spin off its semiconductor business and sell its stakes in Sony Financial, M3, Olympus and Spotify to focus on its entertainment businesses
 	Starboard endorsed the Company's decision to spin off its Insurance Auto Auctions business
 	Elliott supported recent Bayer moves related to ongoing litigation, adding that it thought its share price was not reflective of the value of the Company's businesses

### Scuttle or Sweeten Existing Deals

Entry into a live M&A situation to improve deal terms or block an ill-perceived deal from proceeding

35%

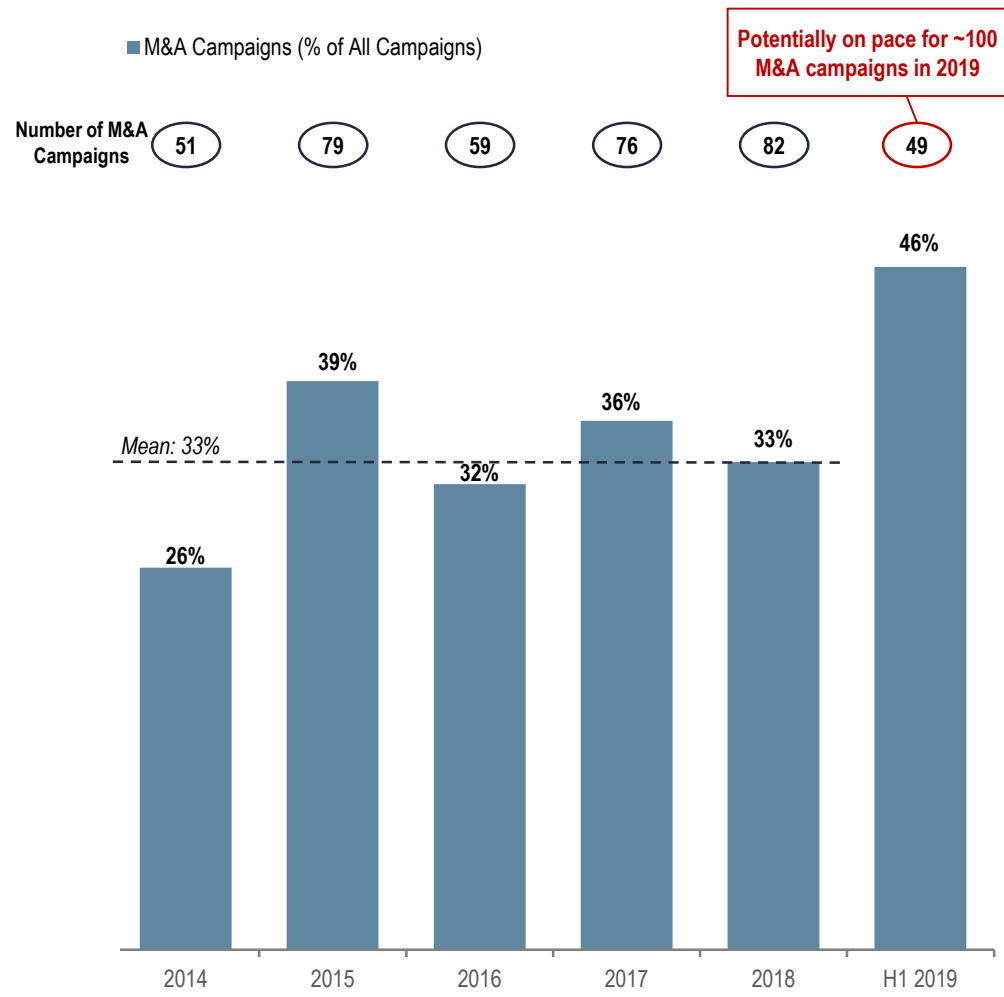
Target / Activist	M&A Thesis
  	Pershing Square sent an email to United Technologies' CEO, criticizing its planned merge with Raytheon; Third Point also came out publicly against the deal
 	Icahn believed that the Occidental-Anadarko transaction should be taken to a shareholder vote as the deal was "hugely overpriced"
   	Corvex and Sachem Head reportedly considered challenging Centene's acquisition of WellCare; Third Point separately urged Centene to sell itself; shareholders voted to approve the deal
 	CIAM came out against the proposed merger between Renault and Fiat Chrysler, saying that the deal would benefit Fiat Chrysler more than Renault



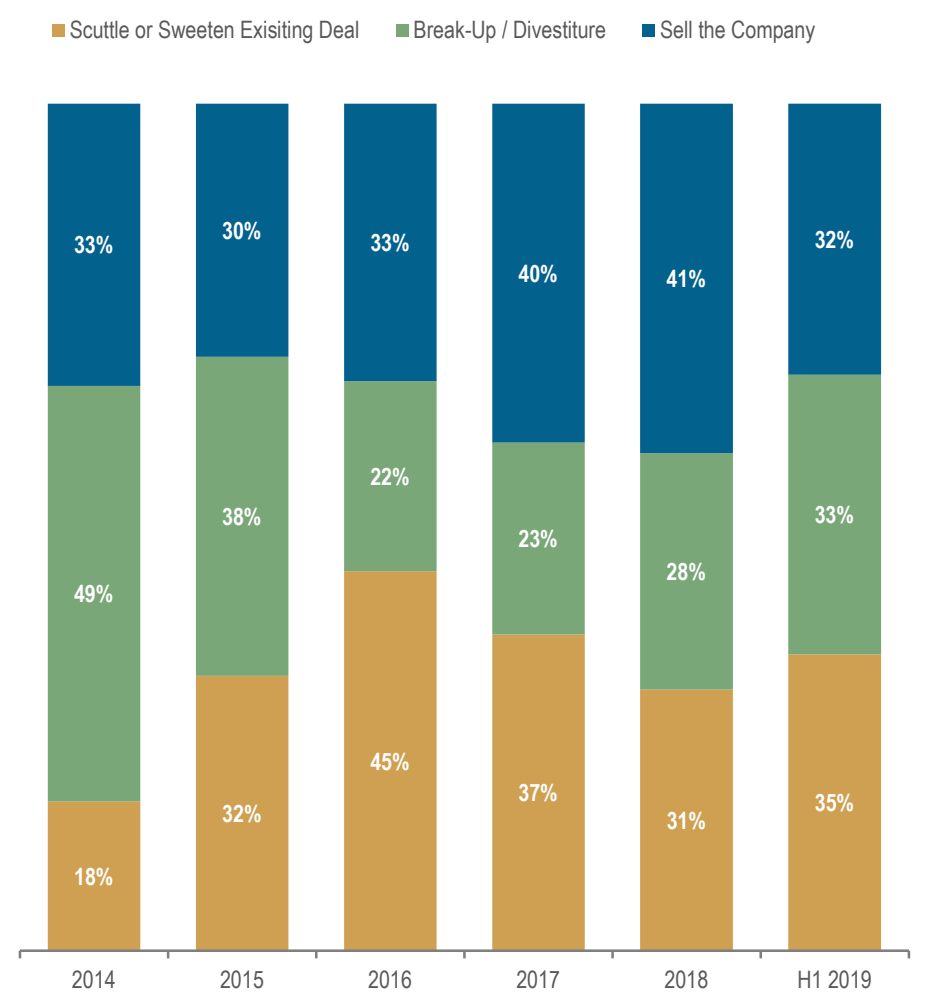
## 2 Increased Prevalence of M&A-Related Campaigns

46% of campaigns launched in H1 2019 were M&A driven

**M&A Campaigns, 2014-2019 YTD**

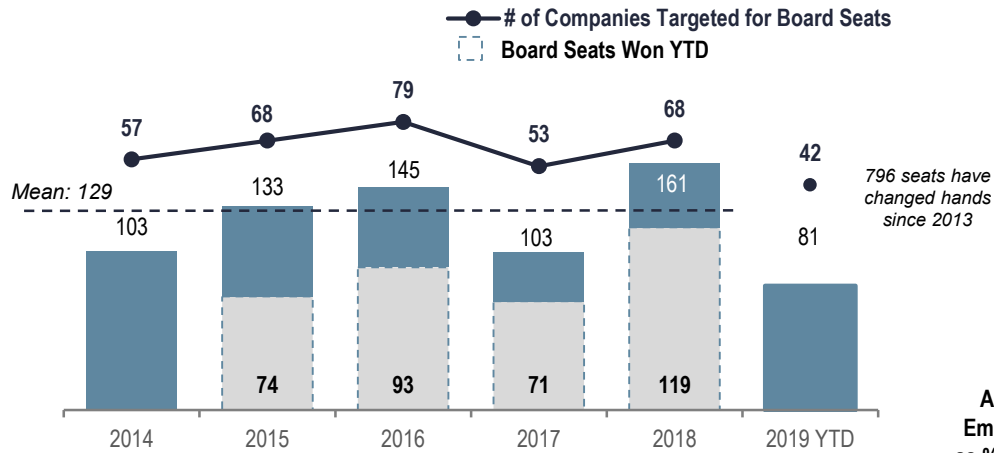


**M&A Campaign Objective Prevalence, 2014-2019 YTD**

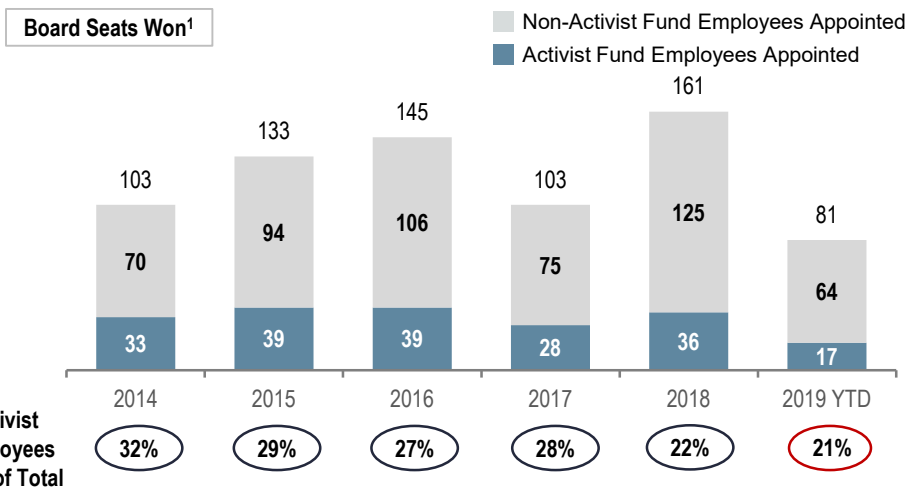


### 3 Board Seats Won

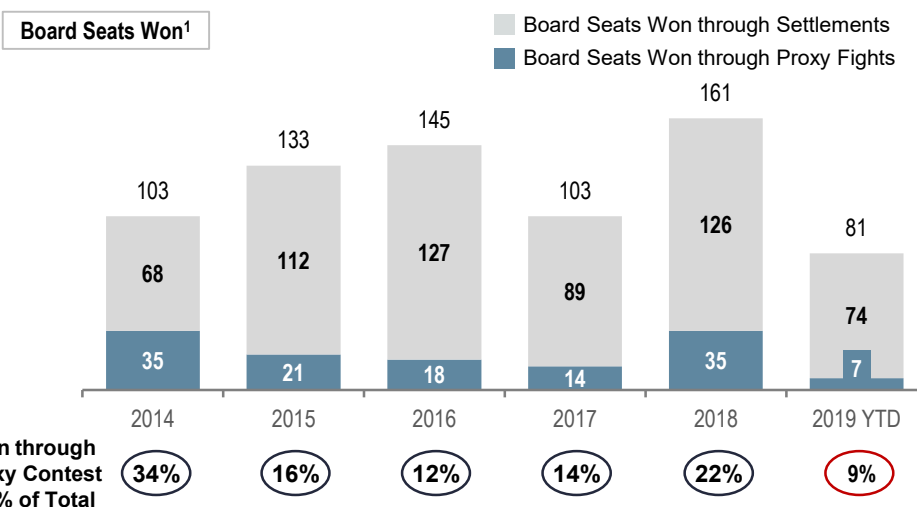
#### Board Seats Won<sup>1</sup>



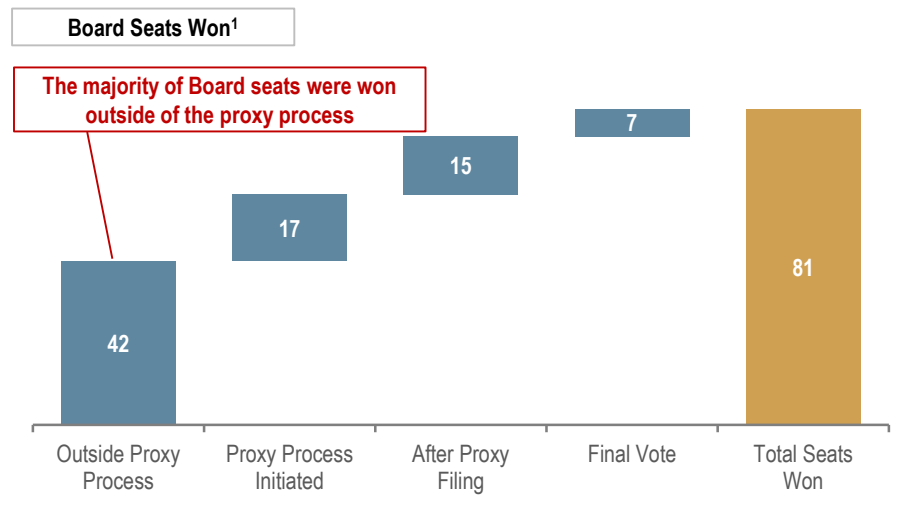
#### Non-Activist Employees vs. Activist Employees Appointed as Directors



#### Settlements vs. Proxy Contests



#### Proxy Stage of Board Seat Wins



Source: FactSet, press reports and public filings as of 6/30/2019.  
 Note: All data is for campaigns conducted globally by activists at companies with market capitalizations greater than \$500 million at time of campaign announcement.  
 1 Represents Board seats won by activists in respective year, regardless of the year in which the campaign was initiated.

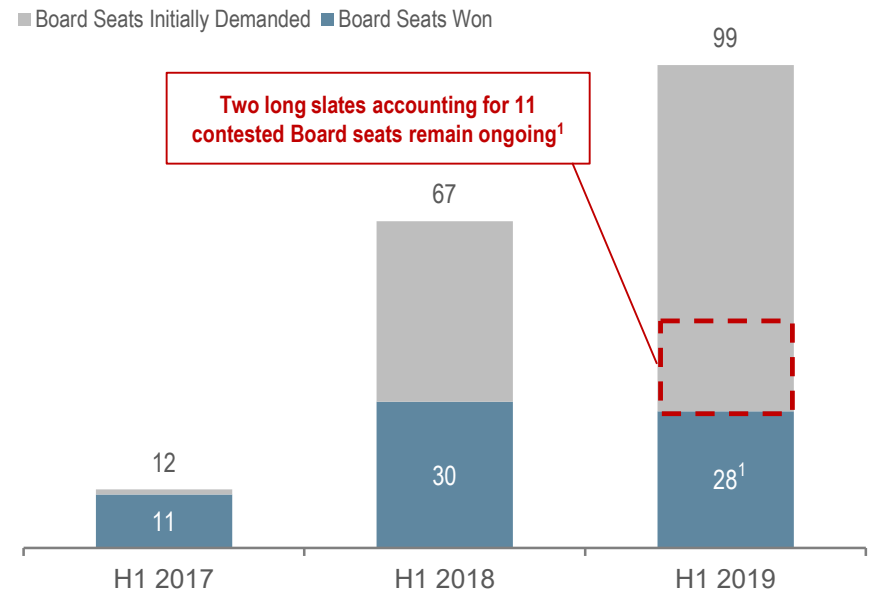
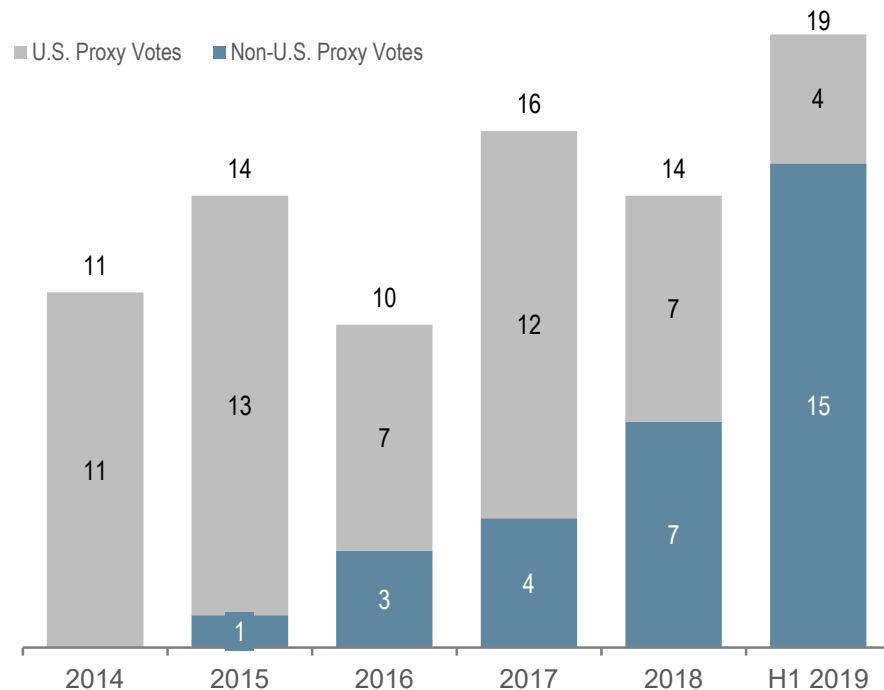
### 3 Long Slate Nominations and Proxy Fights

Activists nominating long slates (seeking to replace 50% or more of the Board) often decided to settle for a handful of seats, in line with the overall trend away from proxy fights in the U.S.

Contested Proxy Votes, 2014-2019 YTD	Long Slate Results, 2017-2019 YTD
--------------------------------------	-----------------------------------

- Through H1 2019, only four U.S. contested proxy votes occurred, with the majority of contested votes happening in Europe and Asia
  - Of the four U.S. contested votes (Gannett, PDC Energy, Mack-Cali, HomeStreet), activists only won one vote, at Mack-Cali, for four Board seats
- Activist campaigns for Board seats in Europe and APAC also met with limited success, with activists securing Board seats in two of 15 proxy vote situations (Superdry, COMET Holding AG)

- There were 14 long slates nominated in the first half of 2019, with a total of 99 seats initially sought
- As of the end of the first half, six long slates had settled, four went to a proxy vote, two were withdrawn and two were ongoing<sup>1</sup>
  - The six long slate campaigns that settled secured approximately three seats on average, versus an average initial demand of nine seats
  - Two of the four long slates that went to a proxy vote (FirstGroup, EQT) remained long slates at the time of the vote; in the other two cases (Mack-Cali, Gannett), the activist revised its slate to a minority slate prior to the final vote
  - Only one long slate campaign (EQT) actually resulted in a majority of Directors being replaced in the final vote



Source: FactSet, press reports and public filings as of 6/30/2019.

Note: Long slates defined as instances where an activist nominated Directors to replace 50%-plus of the incumbent Board.

<sup>1</sup> The 28 seats include seven seats won by The Rice Group at EQT after 6/30. The two ongoing long slate campaigns are Vintage/Red Robin and Velan Capital/Progenics.

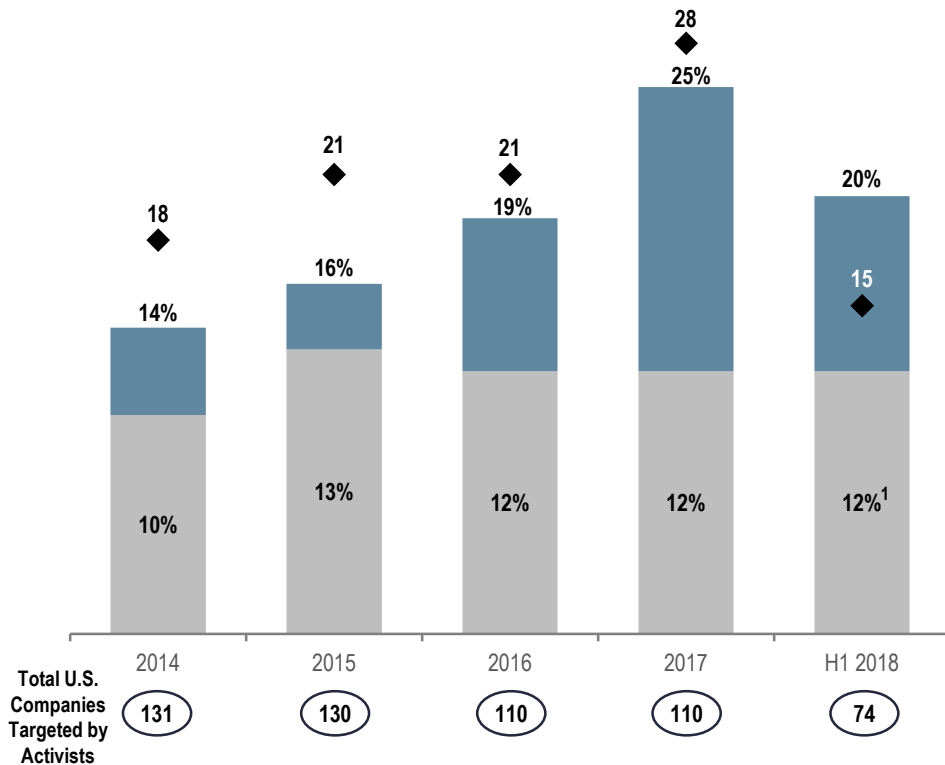
### 3 U.S. CEO Turnover Within One Year of Activist Campaign Launch

From 2014-H1 2018, annualized CEO turnover at activist-targeted U.S. companies was 19%, versus a baseline rate of 12% for non-activist targets

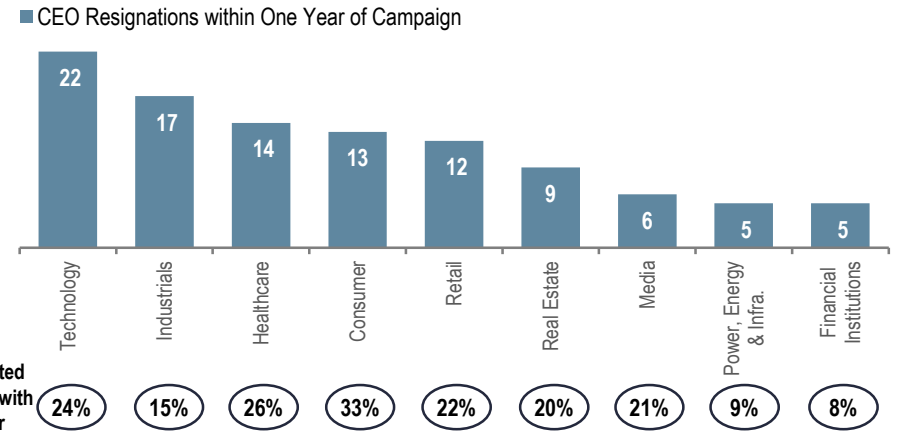
**CEO Turnover at Activist-Targeted U.S. Companies**

- Activist-Targeted Company Turnover Rate
- Turnover Rate at Non-Target Companies
- ◆ Number of CEO Resignations at Targeted Companies

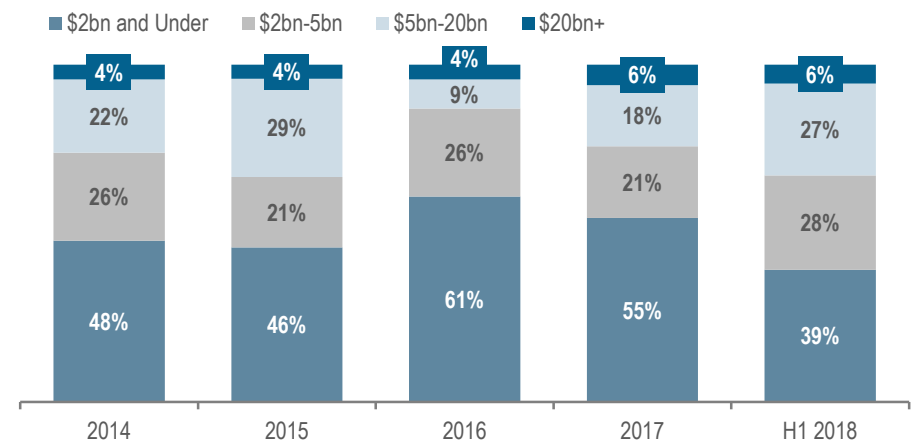
Annualized CEO turnover between 2014 and H1 2018 of 19%



**CEO Turnover at Activist-Targeted U.S. Companies by Industry, 2014-H1 2018**



**CEO Turnover at Activist-Targeted U.S. Companies by Market Cap**

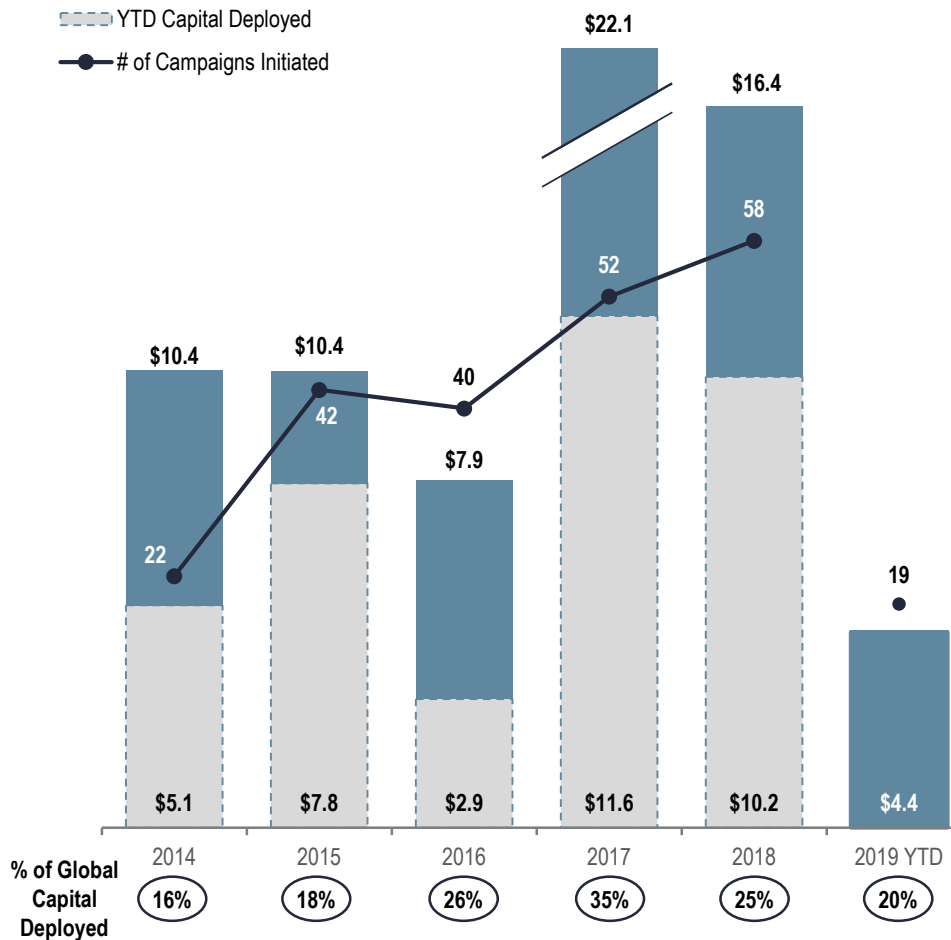


## 4 H1 2019 International Shareholder Activism

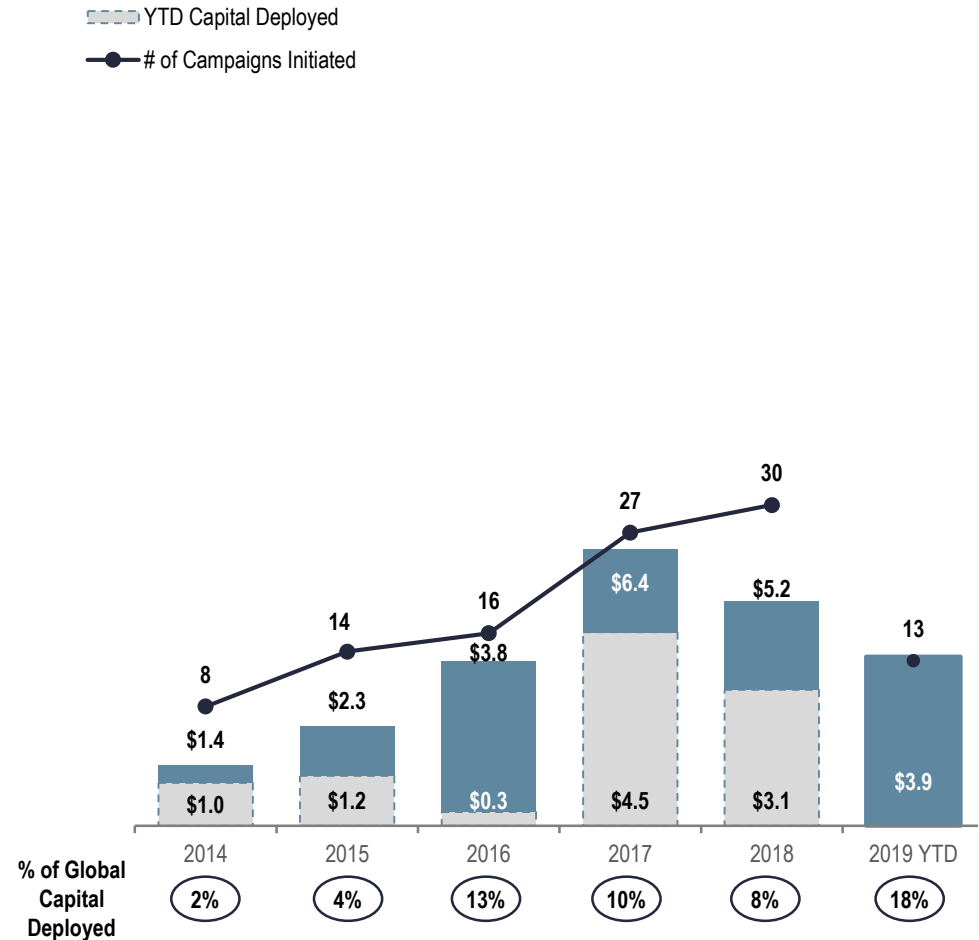
(\$ in billions)

New activist activity has declined in Europe as activists focus on existing positions, while activism in APAC remains at elevated levels

### Activism Against European Companies<sup>1</sup>



### Activism Against APAC Companies<sup>1</sup>

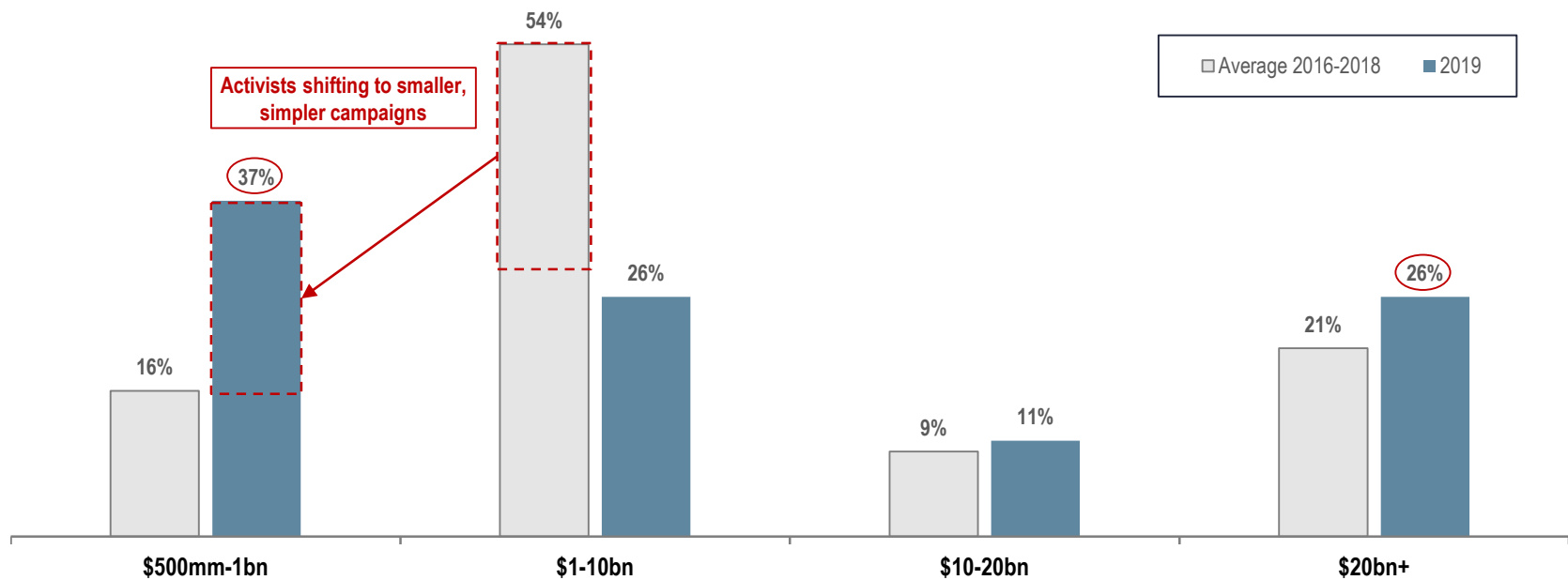


## 4 European Activism in 2019 – “Sweet Spot” is Shifting

(\$ in billions)

In H1 2019, activists were less focused on the traditional \$1bn-10bn “sweet spot” for targets, instead shifting towards smaller companies

Campaigns by Market Capitalization<sup>1</sup> in Europe

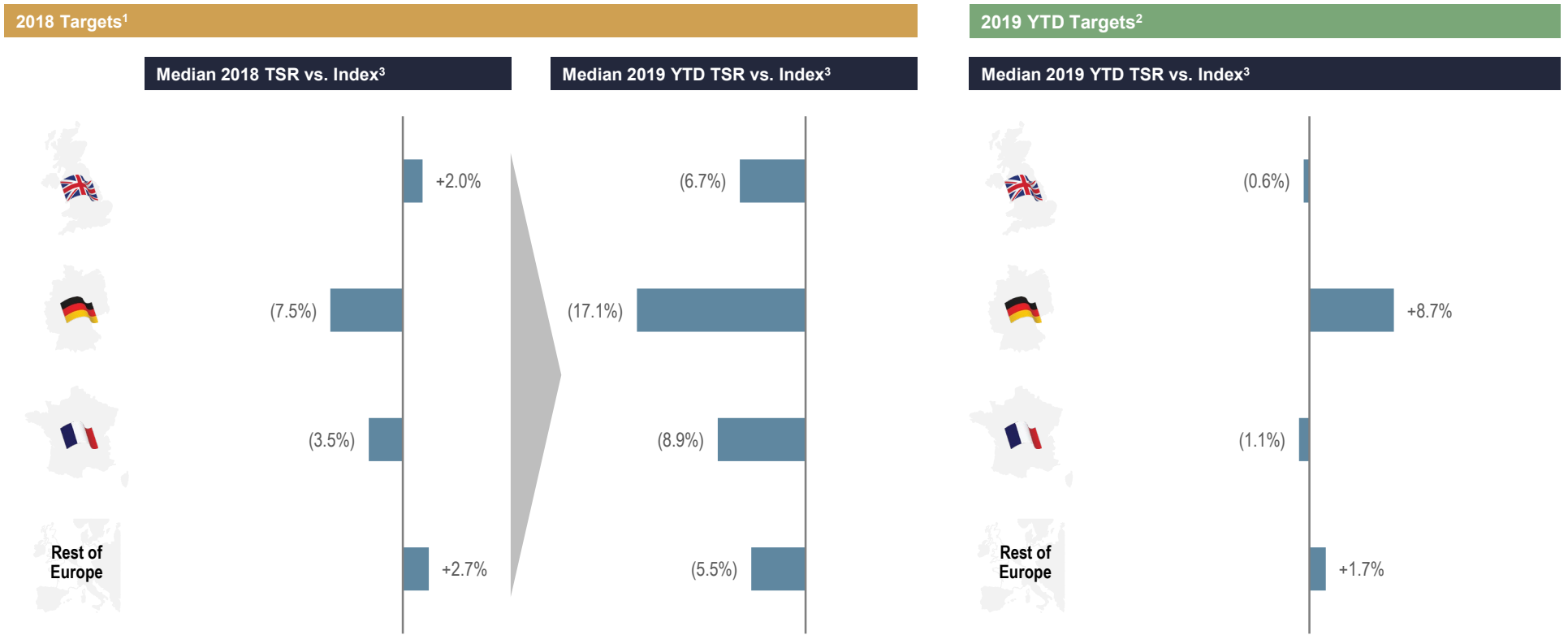


2019 Activism	Primary Themes	<ul style="list-style-type: none"> <li>Campaigns to scuttle or sweeten announced deals comprised 57% of small cap campaigns</li> <li>Board change also common, appeared 43% of the time</li> </ul>		<ul style="list-style-type: none"> <li>Capital allocation issues and Board composition commonly criticized</li> <li>Many campaign objectives unclear</li> </ul>		<ul style="list-style-type: none"> <li>Attempts to scuttle or sweetened announced deals most common</li> </ul>		<ul style="list-style-type: none"> <li>Wide range of objectives, including strategic alternatives, operations, divestitures and governance</li> </ul>	
	Prominent Activists				<p>Remains the most prominent large cap activist</p>				

## 4 Performance of European Targets

(\$ in billions)

While 2018 was the “Year of New Targets” with record campaigns launched, many of those targets underperformed their relevant index, leading to a change in target selection in 2019, which is paying off with materially higher outperformance



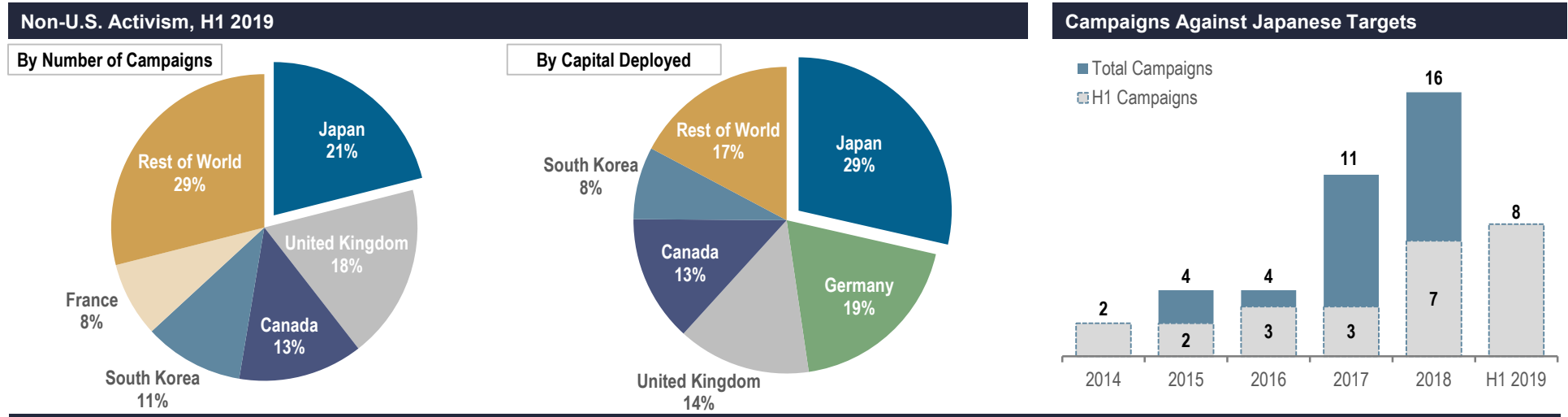
- During 2018, activists were unsuccessful in creating value against the benchmark index in Germany and France
- This trend has worsened in 2019, with accelerating underperformance in all regions

- 2019 targets have performed better than 2018 targets in H1 2019, with strong results in Germany
- However, UK and French targets (over half of European campaigns) continue to slightly underperform their respective index



## 4 Shareholder Activism Advancing in Japan

Activism in Japan reached new highs as a record number of companies also faced shareholder proposals







Notable 2019 Public Campaign Developments and Shareholder Votes—Japan				
		NISSAN MOTOR COMPANY 		
<ul style="list-style-type: none"> <li>Fir Tree Partners submitted proposals to Kyushu Railway, calling for a share buyback plan, new Board structure, three new Directors, and a new Director compensation plan</li> <li>Starwood Capital Group and other investors publicly supported Fir Tree's proposals</li> <li>Shareholders voted down Fir Tree's proposals</li> </ul>	<ul style="list-style-type: none"> <li>A group of investors called for a special meeting to oust the Chairman/CEO and President/COO; both officials resigned in April 2019</li> <li>Later, a former LIXIL CEO and current Director nominated a dissident slate of eight nominees</li> <li>The dissident slate was elected to the Board, along with six management candidates</li> </ul>	<ul style="list-style-type: none"> <li>ISS and Glass Lewis recommended that shareholders vote against reappointing Nissan's CEO, citing his close relationship with the Company's former Chairman, who was arrested on charges of financial misconduct</li> <li>Nissan's current CEO was re-appointed, but shareholders voted for new independent nominations and compensation committees</li> </ul>	<ul style="list-style-type: none"> <li>ISS and Glass Lewis recommended that shareholders vote against reappointing Nomura's CEO and Chairman; the Company had been penalized for mishandling Tokyo Stock Exchange information</li> <li>Both Nomura's Chairman and CEO were reappointed with ~60% support, down from over 90% support in the past five years</li> </ul>	<ul style="list-style-type: none"> <li>In June, Third Point disclosed a \$1.5bn stake in Sony, publicly urging the Company to spin off its semiconductor business, divest its stakes in several units and focus on its core entertainment businesses</li> </ul>

## 5 The Expanding Active Manager “Toolkit” for Dissent

In the first half of 2019, traditional active managers built on their vocal approach, publicly asserting their views on major corporate events and using activist tactics to influence strategy





### Shaping the Debate

Company / Active Manager	Commentary
 	<ul style="list-style-type: none"> <li>Wellington publicly opposed Bristol-Myers Squibb’s planned acquisition of Celgene, citing risks with the deal and its cost, causing the Company’s stock to fall over 8%</li> <li>Shareholders approved the acquisition in April 2019, with 24% voting against the deal; ISS and Glass Lewis recommended voting for the deal</li> </ul>
 	<ul style="list-style-type: none"> <li>T. Rowe Price, the largest shareholder of EQT, issued a press release stating that it would vote for a dissident long slate put forward by the Rice Group</li> <li>EQT’s AGM is scheduled for July 10, 2019</li> </ul>

“As the Company’s largest shareholder, we understand the serious responsibility before us to make a decision that serves the long-term interests of EQT and its investors,” said David J. Wallack, portfolio manager of the T. Rowe Price Mid-Cap Value Fund. “We have long been admirers of the founders and leaders of Rice Energy. They bring a data-driven, thoughtful, nimble and innovative approach to the E&P industry that we believe will produce substantial benefits if they are applied across the EQT platform.”... **‘This magnitude of change for the EQT board is appropriate and necessary,’** said Mr. Wallack. “We are hopeful that this transformed board, with its mix of experienced and new directors, will foster a new culture at the Company that is more accountable, results-oriented, dynamic and transparent.”

–“T. Rowe Price Supports Rice Group Nominees In EQT Contest,” July 2019 (emphasis added)

### Launching Activist Campaigns

Company / Active Manager	Commentary
 	<ul style="list-style-type: none"> <li>M&amp;G nominated four Directors to Methanex’s Board, citing governance issues at the Company and concerns over a planned factory</li> <li>The parties settled for two new, M&amp;G-approved independent Directors and Methanex agreed to appoint a financial advisor to review its planned factory</li> </ul>
 	<ul style="list-style-type: none"> <li>Neuberger Berman nominated three Directors to Verint’s Board, citing the Company’s share dilution resulting from its capital allocation strategy, as well as its poor governance</li> <li>The investor withdrew its slate in June 2019 after Verint pledged to improve its financial reporting and capital allocation practices and discuss Board refreshment</li> </ul>

“In our view, Verint’s reluctance to embrace a cloud business model, inefficient conglomerate structure, elevated operating expenses, poor capital allocation practices and misaligned executive compensation programs have all contributed to the Company’s persistent underperformance. Responsibility for Verint’s long-standing failure to move with urgency to improve its performance and adopt clear business and financial performance targets lies with the current Board of Directors. **This Board has simply been unwilling to make the changes that are necessary to correct Verint’s course.**

**This is why we have reached the conclusion that Verint will benefit from additional perspectives in the boardroom provided by independent, experienced, senior-level software business leaders.”**

–“Neuberger Berman Files Proxy Statement Seeking to Replace Three Verint Directors,” May 2019 (emphasis added)

## 6 Shareholders Are Using Their Vote to Send a Message to Management

Shareholders used their AGM votes to voice displeasure with recent strategic initiatives and executive compensation, while increasing support for select ESG-related proposals

### Support for ESG Proposals



- In May 2019, 57% of Newell Brands shareholders voted in favor of a proposal urging the Board to produce an Employment Diversity Report
- The proposal claimed that Newell lagged its peers in setting diversity goals for its leadership team



- In March 2019, 45% of Starbucks shareholders voted for a resolution calling for a progress report on sustainable packaging initiatives; the proposal alleged that the Company had reneged on previous goals
  - In 2018, 35% of shareholders voted in favor of a similar resolution



- In May 2019, 42% of Duke Energy shareholders voted in favor of a proposal urging the Company to publish a report on the public health risks of coal use
  - ISS recommended that shareholders vote in favor of the proposal, citing regulatory concerns

### Flashpoints on Executive Compensation



- In 2018, Netflix eliminated its short-term incentive program in favor of base salary and vested stock options
- 50% of Netflix shareholders voted against the Company's "Say-on-Pay" proposal, citing a lack of performance-based compensation
  - 39% of shareholders voted against the same proposal in the year prior



- In May 2019, 45% of PayPal shareholders voted against the Company's "Say-on-Pay" proposal, citing concerns with the magnitude of a one-off \$29mm equity award given to the CEO
  - In 2018, 12% of shareholders voted against the same proposal



- In May 2019, 43% of Gap shareholders voted against the Company's "Say-on-Pay" proposal, citing concerns with a \$10mm retention grant given to the CEO
  - In 2018, 2% of shareholders voted against the same proposal

### Frustration with Recent Transactions



- In June 2018, Bayer closed its Monsanto acquisition; the Company then faced potential liabilities relating to several Monsanto products
- In April 2019, 56% of shareholders voted against ratifying management's conduct in 2018, symbolically rebuking the Company



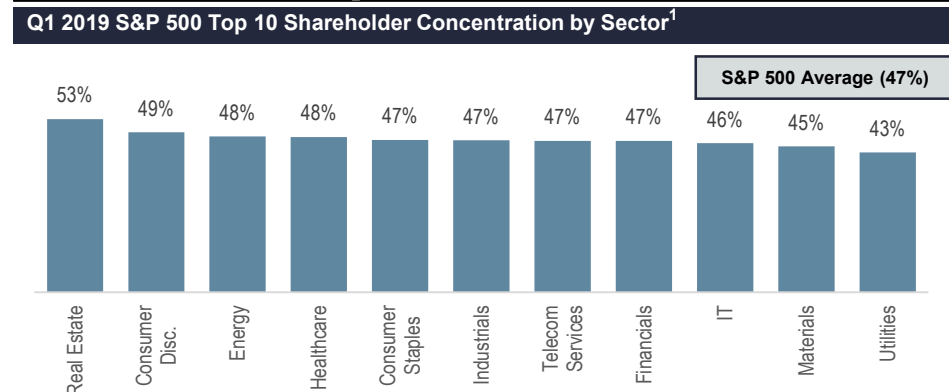
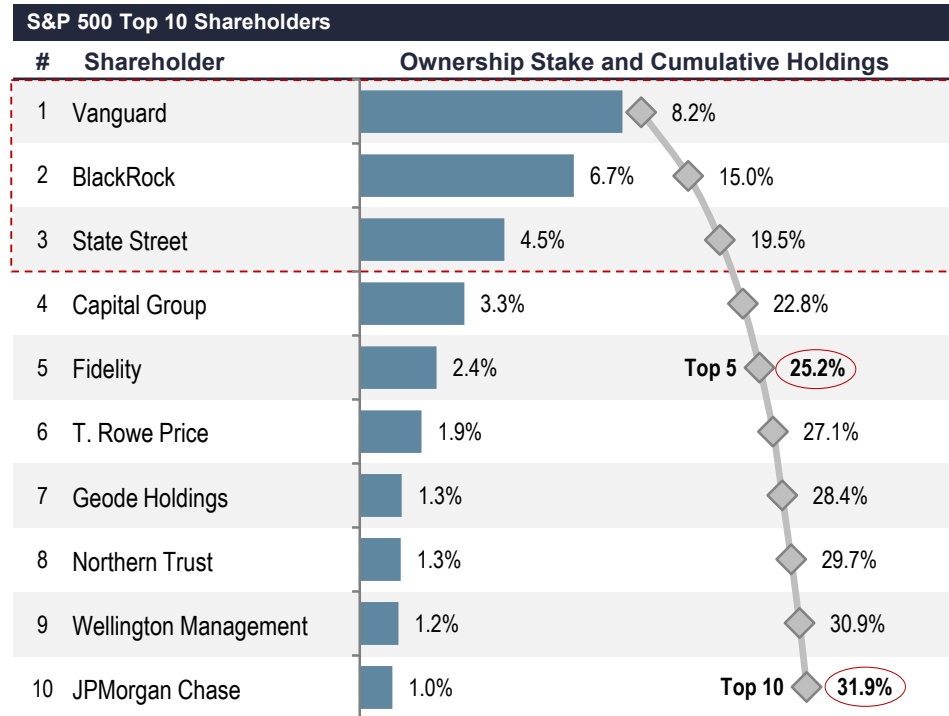
- Occidental structured its proposed acquisition of Anadarko Petroleum so the deal would not require a shareholder vote
- In May 2019, 60% of shareholders voted to lower the ownership threshold to call a special meeting



- In 2018, Luxottica and Essilor completed their planned merger; the deal drew concerns over the new Company's governance and power-sharing between the new, joint executive team
- In April 2019, a group of investors nominated two Directors; the two nominees received 44% and 34% shareholder support

## 6 As Shareholder Concentration Increases, Passive Manager Policies Garner Focus

Shareholder concentration has continued to drive focus on the policy changes of the “Big Three,” especially as they refine their ESG policies



“We believe proxy voting is a great way to integrate investment stewardship responsibilities with investment management practices,” Vanguard Chairman and Chief Executive Officer Tim Buckley said. “Our external managers are well positioned to take on proxy voting responsibilities in a manner that supports shareholder value creation over the long term.”



-Vanguard, “Vanguard funds plan to grant proxy voting responsibilities to external managers,” April 2019

### “Guidance for Directors on Evaluating Climate Risk and Preparedness of a Company

Analyze sector and company exposure to the different climate risks, inquire if the company has adequately mitigated potential risks, and assess the potential impact on the company’s long-term strategy under different scenarios on a periodic basis.”



-State Street Global Advisors, “Climate Change Risk Oversight Framework for Directors,” June 2019

“While a long-term strategic framework may remain relatively consistent over time, it is likely that detailed implementation plans will change in light of new information. It is helpful to shareholders to have an explanation of how management has evolved the implementation and why. A good understanding ensures investor support for management even when events have resulted in the company missing projected targets and having to deviate or modify implementation plans.”

-BlackRock, “BlackRock Investment Stewardship’s approach to engagement on long-term strategy, purpose, and culture,” January 2019

## Shareholder Advisory Group—Key Contacts

	<b>Jim Rossman</b>	<b>Managing Director and Head of Shareholder Advisory</b>	<b>(212) 632-6088</b>	<b>jim.rossman@lazard.com</b>
	<b>Mary Ann Deignan</b>	<b>Managing Director</b>	<b>(212) 632-6938</b>	<b>maryann.deignan@lazard.com</b>
	<b>Andrew T. Whittaker</b>	<b>Managing Director</b>	<b>(212) 632-6869</b>	<b>andrew.whittaker@lazard.com</b>
	<b>Rich Thomas</b>	<b>Managing Director and Head of European Shareholder Advisory</b>	<b>+33 1-44-13-03-83</b>	<b>richard.thomas@lazard.com</b>
	<b>Dennis K. Berman</b>	<b>Managing Director</b>	<b>(212) 632-6624</b>	<b>dennis.berman@lazard.com</b>
	<b>Christopher Couvelier</b>	<b>Director</b>	<b>(212) 632-6177</b>	<b>christopher.couvelier@lazard.com</b>
	<b>Kathryn Night</b>	<b>Director</b>	<b>(212) 632-1385</b>	<b>kathryn.night@lazard.com</b>
	<b>Todd Meadow</b>	<b>Director</b>	<b>(212) 632-2644</b>	<b>todd.meadow@lazard.com</b>